Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.



FEBRUARY 1940

UNITED STATES DEPARTMENT OF AGRICULTURE FEDERAL SURPLUS COMMODITIES CORPORATION

The Challenge of Under-Consumption 1

Most of the figures which we are going to consider here have not been available until now. They deal with how much we eat, commodity by commodity, at different levels of income. For the first time we are beginning to know about under-consumption in terms of simple arithmetic. That has a direct bearing on farm prices. Our farmers, you know, make up 25 percent of our population, and yet they get only 11 percent of our national income. They are producing more than they can sell in the present market at a profit. Surpluses of agricultural products have been a serious national problem now for over a decade. As I see it, there are three major causes behind this situation:

The first is the application of science to agricultural production. Briefly, we have learned how to make two blades of grass grow where one grew before, and we don't know where to sell the extra blade of grass. Yields of lint cotton, for example, are now 35 percent greater per acre than they were 10 years ago. Yields of corn in the 10 Corn Belt States during the years 1936–39 were 22.8 percent above the 1929–33 average. If there were time, we might consider similar efficiencies

in nearly every phase of agricultural production.

Secretary Wallace recently stated this scientific progress in another way. He said: "One hundred fifty years ago it required nineteen people living on the land to support themselves and one person in town. Today, under greatly commercialized and industrialized conditions, one person on the land supports himself, three people in town, and contributes to the support of another person overseas."

All this is a tribute to our technological genius as a people and we may well be proud of it. Some day we'll turn that genius to solving the problems of under-consumption. When that day comes, the extra blade of grass will add to human happiness and not to human misery. For the first time in history, we're suffering because we've got too much of the things we need most. The science of production has out-run the science of distribution. We've got to catch our breath—and catch up.

The second cause of our farm surpluses has to do with dislocations in foreign trade. Naturally, our export crops have been hit the worst. This goes back more than 20 years ago to the time when we changed from a debtor to a creditor nation—to the time when we plowed up 40 million acres of grasslands and ruined part of the Great Plains in an era of military hysteria. Wheat, you know, helped to

¹ Based on a statement prepared by MILO PERKINS, President of the Federal Surplus Commodities Corporation, for presentation at the Fourth Annual National Farm Institute, Des Moines, Iowa, February 24, 1940.

win the war. Then came the time when the armies of the world were demobilized, and our farmers lost their markets for the crops they

had been raising on those 40 million acres.

Following that, one country after another entered the frantic race to have its cake and eat it too. Every major nation in the world tried to sell all it could abroad and buy as little from other countries as possible. We were in the race from the beginning; part of the time we were out in front. Tariffs were raised; imports and exports were licensed; foreign exchange was blocked; food was produced under government subsidies within certain countries at over twice the cost of producing it elsewhere. One of the tragedies of world history is that Secretary Hull couldn't have given us his leadership in a reciprocal trade agreements program 13 years before he became Secretary of State. Some day historians will measure that loss to the American

farmer, and to our whole economy.

In the long run, the present war seems certain to hurt our agricultural exports. When the war is over, things are likely to be even worse. We'd better not dodge the facts. It's still a habit with us to refer to France and Great Britain as our sister democracies. But in the rough-and-tumble of a war fought on the economic as well as on the military fronts they are finding it necessary to put their economies on a totalitarian basis just as fast as they can, particularly so far as international trade is concerned. They are employing the same economic weapons which Germany has been using for several years. As a matter of self-preservation, they are fighting fire with fire; it's a part of the death struggle in which they're engaged. Before it's over, however, the American farmer is likely to get badly burned in the process. Belligerents as well as neutrals are resorting to

centralized controls of their foreign trade.

Great Britain, for instance, is doing more than to buy all the food she can from within her own empire so as to conserve her dollar exchange for other purposes. She is buying large amounts of agricultural products in countries which normally sell to Germany, and she is doing it vigorously as a part of her economic offensive. For example, she has bought huge quantities of tobacco and dried fruits from the Mediterranean countries in addition to the fresh fruits which were The tobacco farmer here at home, and the producer of raisins and prunes and apples and winter pears has lost his best His exports have been savagely curtailed. Only quick and heavy Government purchases, as well as loans, have kept him from realizing fully just how serious a blow has been dealt him. bringing about dislocations in foreign trade which may last for a generation or longer. Following our own Revolutionary War, for example, we changed from a nation of tea drinkers to a nation of coffee drinkers and the habit is now 150 years old.

Barring a miracle of brotherhood and vision at the next peace

Barring a miracle of brotherhood and vision at the next peace conference, we are likely, as a nation, to find ourselves in a world loath to give up its barter economies. Having surpluses of both farm and city goods ourselves, we may find it extremely difficult to trade with other countries in such a world. Right now, of course, they can give us gold for our surplus of exports over imports. The country seems to think it's all right to swap 3½ tons of fuel oil for an ounce of gold. If the war lasts, however, we'll have most of the world's gold, and just what other nations will use for money to buy the

things they may want to buy from us, no one seems to know. We could, of course, act like a creditor nation, and accept goods from them in exchange for what we need to sell them. Whether or not our various pressure groups will continue to oppose a real expansion of foreign trade remains to be seen. Heretofore, they've all wanted increased exports; but as far as increased imports were concerned—they've wanted those to take place in the other fellow's back yard. It looks now as though there's trouble ahead for farmers who have been selling a substantial part of their crops abroad.

Industrial Unemployment Adds to Surplus Problem

The third and last major cause of farm surpluses, as I see it, has to do with industrial unemployment in our own country. Farmers producing dairy and poultry products, and fruits and vegetables as well as meats, have been hit the hardest. These are the foods low-income folks start buying as soon as they get a little more money. The term "surpluses", as applied to these foods, is simply a smug, polite name for a shocking amount of under-consumption. During last December we virtually reached the 1929 level of industrial production, and yet some 10 millions of the unemployed were still with us. No intelligent person can look those figures in the face and reach the conclusion that the unemployment problem is going to solve itself. Every year there is a net increase in our working population of about 500,000 persons. Over half of the 10 million folks who want work but can't get it belong to this group.

Better than half of the balance are said to have lost their jobs to machines. Industrial output per worker is said to have increased around 20 percent in the last 10 years. We've been smart enough to make tractors and mechanical corn-pickers and dial telephones; are we smart enough, however, to find work for the folks they've thrown out of work? Upon our answer to that question—not in words, but in new jobs—hangs the future of our industrial democracy. In other lands it has lost its race against time; if we have the courage to make

it work here, then we shall in truth be a chosen people.

Personally, I think we can, and that what we need most is a redirection of our genius as a people. Heretofore, we've concentrated on methods of efficient production. Henceforth, we must concentrate on efficient and businesslike methods of increasing domestic consumption no matter how much violence it may do to some of our preconceived notions. We know how to produce almost anything—but we haven't learned how to distribute such things to the jobless who ask only the chance to work for them. This nightmare of under-consumption is the black plague of the twentieth century; we've got to make up our minds to wipe it out—with a vengeance. Only one thing can stop us and that's a mental sit-down strike—a kind of smug, nineteenth-century faith that things will work themselves out if only we don't do anything about it.

We mustn't let that happen. It won't, if we keep our eyes glued to the goal of fully utilizing all of our resources—and if we keep marching until we get there. We can have full employment in this country within a few years, but we've got to fight for it. If we slash out at under-consumption within our own country as we would at a foreign enemy, individual initiative and free enterprise will come into their

own as they never have before. That's the only way in which we can be sure of their continuance. That's the only way I know of to assure a nineteenth-century chance of opportunity to youngsters who

are growing up to run the twentieth century.

We've got to restore confidence in this country—the confidence of our young folks—not by platitudes, but by jobs. And we've got to do it—not for just a few of them, but for all of them who are willing and able to work. Any answer short of that is unworthy of the men who fought their way westward for us and our children. There's a job of internal pioneering ahead of us which has barely been started. The full conquest of under-consumption still belongs to our tomorrows.

One of the well-established truths in marketing is "know your product". Agriculture knows its product. It knows how to produceefficiently. It has taken many steps to widen the meaning of effi-More and more, its efforts are being directed toward main, taining and improving its production resources. At the same time. however, an increasing emphasis is being put upon the importance of knowing its market and marketing conditions. Actually, there are too many characteristics of that market that we have not known enough about in the past. For instance, who is it that buys our various agricultural products? What kinds of incomes do they have? What is their demand for food? Is it true that since our stomachs are limited in size, we have an automatic limit to the demand for What would happen to agricultural income if every family in America making less than \$1,200 a year were to make that much money? These are typical of the questions we are asking ourselves We are beginning to get some encouraging answers in this new era.

The Potential Low-Income Market

Recently, the Bureau of Labor Statistics and the Bureau of Home Economics, with the collaboration of the National Resources Committee, made a detailed study of incomes in the United States during 1935–36. It covered about 29,400,000 families and 10 million single individuals representing over 126 million persons. These folks provide the principal market for agricultural commodities. Their incomes and their purchases are the key to agricultural prosperity, particularly for farmers who sell most of what they raise here at home.

It may come as a surprise to us, and an unpleasant one, to know that this study indicated that there were more than 4 million families, or 14 percent of the total, who had an average income of only \$312 for the year. There were more than 8 million other families, 27½ percent of the total, who had an average income of \$758. And there were nearly 7 million families, 23 percent of the total, who had average incomes of \$1,224, or about \$100 per month. In other words, nearly two-thirds of our families had incomes of less than \$1,500, and the average was only \$826 a year—\$69 a month for a whole family. That's the story of under-consumption in one figure.

Frequently, we hear statements about the average income in the United States. For instance, in 1935, the average family income was about \$1,622. The important thing for us to remember is that 65 percent of the people were getting, on an average, only about one-half

of this amount. You can get mighty hungry trying to eat on averages if you're out of a job. These income groups are shown graphically in figure 1.

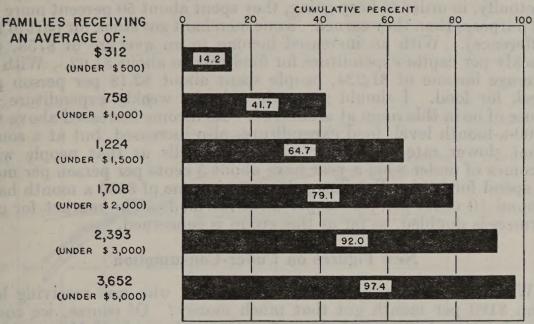


FIGURE 1.—INCOME DISTRIBUTION IN THE UNITED STATES, 1935-36.

About 85 percent of the farmers' income is derived from the production of commodities used for food. In 1935, over 29,400,000 families spent 13 billion 700 million dollars for food. Here are some

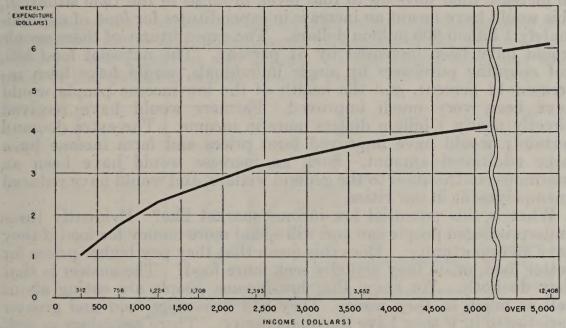


FIGURE 2.—RELATION BETWEEN INCOME AND WEEKLY PER CAPITA EXPENDITURE FOR FOOD BY FAMILIES IN THE UNITED STATES, 1935-36.

startling facts. Only 848 million dollars of that food bill, or 6 percent, came from 4,200,000 of our lowest income families, who were about 14 percent of all families. Only 20 percent came from another 8 million of our families, who were 27½ percent of the total. In other words, nearly 42 percent of our families provided only 26 percent of our food market.

We have a chart that illustrates this in another way. (See fig. 2.)

According to this study, the 14 percent of our families with the lowest incomes, that is, families receiving \$312 on the average, are spending only slightly more than \$1 per person per week for food (actually, in order to keep going, they spent about 50 percent more for all purposes than they earned—some merchant got stuck for part of the With an increased income to an average of \$758, the weekly per capita expenditure for food rose to about \$1.62. With an average income of \$1,224, people spent about \$2.18 per person per week for food. I should guess the average weekly expenditure for those of us in this room at around \$5. As income increased above the \$100-a-month level, food expenditures also increased, but at a somewhat slower rate. In other words, this tells us that people with incomes of under \$500 a year have about 5 cents per person per meal to spend for food. Families getting an income of \$100 a month have around 10 cents per person per meal for food. The market for our farmers is doubled, so far as this group is concerned.

New Figures on Under-Consumption

What would happen if every family head who was receiving less than \$100 per month got that much money? Of course, we could speculate on what would happen if every family made \$2,500 or \$5,000 a year, in which case we'd get some utopian answers for the American farmer. We'd better stick to what we can and should achieve in the decade of the forties, however. The data that we have show that if all families getting less than \$100 per month had been able overnight to increase their incomes to that level, in terms of the 1935 situation. this would have meant an increase in expenditures for food of approximately 1 billion 900 million dollars. The expenditures of these people would have been increased by 51 percent. The national food bill, not counting purchases by single individuals, would have been increased 14 percent, and the health of the low-income people would have been very much improved. Farmers would have received directly nearly 1 billion dollars more in income. The extra demand certainly would have improved farm prices and farm income by a large additional amount. Such an increase would have been an enormous contribution to the general welfare, and would have reduced unemployment in our cities.

What is this potential low-income market like? Evidently these underprivileged people can and will spend more money for food if they have an opportunity. Does this mean that they pay higher prices for better food, or do they actually seek more food? The answer is that they do both. We know that low-income people are eating about half as much as they want. They will buy more food and greater varieties of it, if they have the opportunity. There are calory as well as vitamin deficiencies in the diets of our less-fortunate families.

Some preliminary studies made of consumer purchase habits indicate that there are considerable differences in the ways in which people will increase their purchases of individual commodities as incomes increase. We have brought together some of this preliminary information and it tells an extremely interesting story.

In looking at the charts (figs. 3 through 7), which show how much we eat of the various foods at different income levels, we must bear one fact in mind constantly—the lines have been crossed conservatively at an average family income of \$100 a month. To the left of where they intersect, we have our greatest under-consumption of farm products, and it holds true for more than half of our population. In the

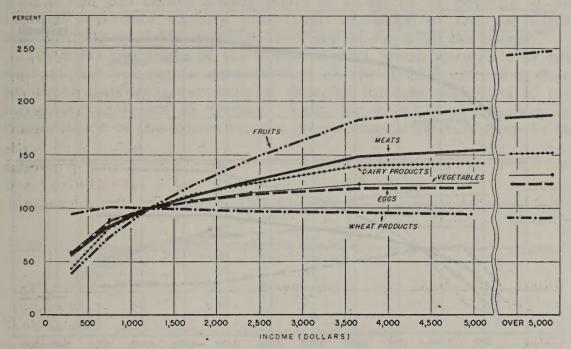


FIGURE 3.—INCOME RELATED TO CONSUMER PURCHASES OF FRUIT, MEAT, DAIRY PRODUCTS, VEGETABLES, EGGS, AND WHEAT PRODUCTS—NONFARM, NONRELIEF FAMILIES, 1935–36. Quantity purchased by \$1,000-\$1,500 income group=100.

broadening of that market, lies the greatest single hope for our farmers who produce the foods that are largely consumed in this country and do not go into export in any volume. These charts bring out the extent of this potential market in some detail.

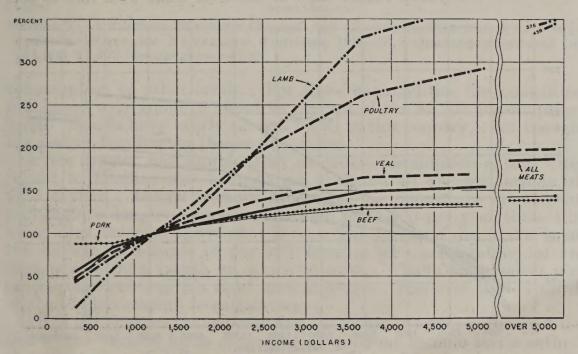


FIGURE 4.—RELATION BETWEEN INCOME AND CONSUMER PURCHASES OF MEATS—Nonfarm, Nonrelief Families, 1935–36. Quantity purchased by \$1,000–\$1,500 income group=100.

Figure 3 shows how purchases of fruits, meats, dairy products, vegetables, eggs, and wheat products change with changes in income. In this chart, the per capita consumption by urban, nonrelief families

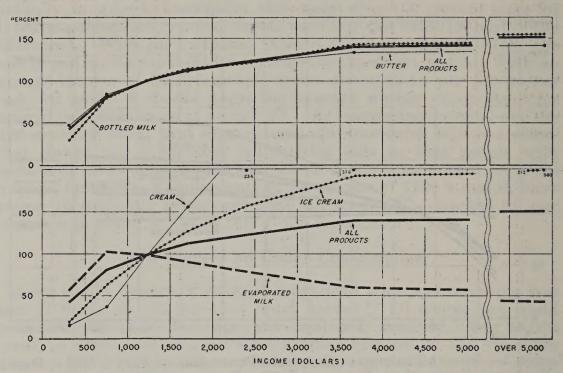


FIGURE 5.—INCOME RELATED TO CONSUMER PURCHASES OF DAIRY PRODUCTS—NONFARM, NONRELIEF FAMILIES, 1935-36. Quantity purchased by \$1,000-\$1,500 income group=100.

at the \$100-a-month level is equal to 100. That's lower than we like to think of as an American standard of living for a whole family, but we're thinking realistically in terms of what we've a chance to reach in the next few years, rather than in terms of what we'd like to see.

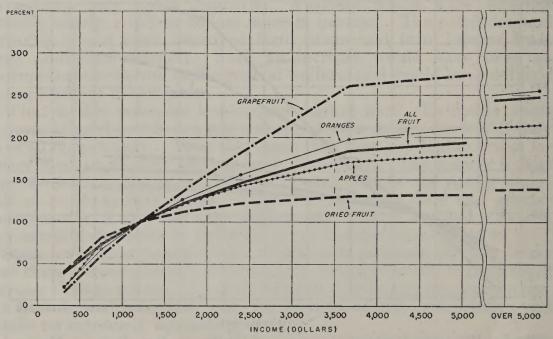


FIGURE 6.—RELATION BETWEEN INCOME AND CONSUMER PURCHASES OF FRUIT—NONFARM NONRELIEF FAMILIES, 1935–36. Quantity purchased by \$1,000-\$1,500 income group=100.

We find that those millions of families receiving less than \$500 per year on the average purchased only 38 percent as much fruit as was purchased by the group receiving about \$100 per month. In other words, the per capita consumption of fruits of 14 percent of our families was only slightly more than one-third of the per capita consumption of urban families receiving about \$100 per month.

The meat purchases of the lowest income group were only 56 percent of the per capita consumption at the \$100 level. For dairy products, purchases were only 43 percent; for eggs they were 57 percent; for vegetables 58 percent. Only for wheat products does the consumption of the lowest income groups come relatively close to the

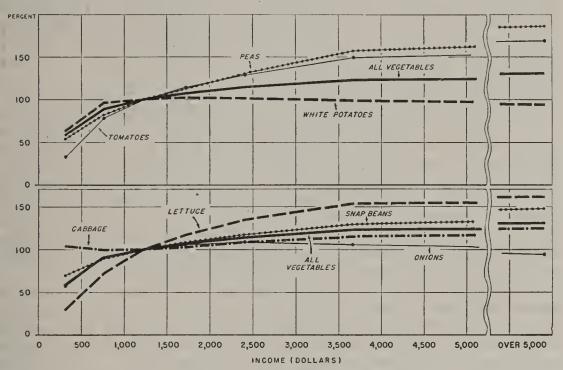


FIGURE 7.—RELATION BETWEEN INCOME AND CONSUMER PURCHASES OF VEGETABLES—NONFARM NONRELIEF FAMILIES, 1935-36. Quantity purchased by \$1,000-\$1,500 income group=100.

consumption of other levels. For these commodities the quantities purchased were equal to about 94 percent of the \$1,200 consumption level. People have nearly enough bread in this country, even though

the poorer families do their own baking.

A less drastic, but similar story of under-consumption is told with regard to families who have to get along on an average income of \$758 a year. Almost without exception, the percentage increase in purchases is larger as incomes increase to \$1,200 per year than it is when they increase above that level. The farmer's real stake is in the bottom two-thirds of our city families who are fighting for an income of \$100 a month on which to exist. That's his greatest potential market—and it's right here at home. The over-stuffed third at the top has enough to eat, anyway.

All of the changes in the preceding charts are in terms of the quantities of the various foods consumed at different income levels rather than in terms of dollar expenditures. The tables in the appendix bring these changes out in great detail. Most of them tell the same type of story; namely, that we can get a real increase in demand especially for fruits, vegetables, and meats, as well as for poultry and dairy products, if various means can be devised to increase consump-

tion among our low-income families.

What we now know is that many of our people have been underfed or badly nourished. May I repeat—if every family making less than \$1,200 a year had earned at least \$100 a month, under 1935 conditions, this would have increased food expenditures by the groups below \$100 a month by about 51 percent. The total demand for food by families would have been increased by 14 percent. Agricultural income probably could have been increased directly by nearly one billion dollars. No economist would want to guess how much more could have been added to that income by this increased demand. Prices certainly would have improved on the entire production of most of our crops

going largely into domestic consumption.

The most important thing about these specific figures on underconsumption is the fact that they get us down to earth in our thinking. It's all right for well-meaning people to rant up in the stratosphere about want in the midst of plenty, but we need to know, in terms of simple arithmetic, crop by crop, just how far we can go in solving our surplus problems by giving the underfed a chance to eat the surplus. The figures we have been considering were based upon a study of consumer purchases by nonfarm, nonrelief families. Since May of 1939, we have gathered some very interesting figures dealing with food consumption habits among persons getting public assistance, particularly so far as their purchases of surplus farm products are concerned. This has been done in connection with our Food Stamp Plan, and the figures are based upon day-to-day purchases by families using the stamps. After 9 months of actual experience with this program, we are convinced that such an approach holds great promise for farmers producing certain crops, although it holds very little for a few other crops—chiefly those on an export basis. We are anxious to get at the facts as they are, however, and to shape our programs accordingly.

The Food Stamp Plan

Some of you may not know how the Stamp Plan started. Secretary Wallace became convinced that this paradox of want in the midst of plenty could be licked only by the united effort and ingenuity of our whole people. So he asked some of us to get together with farm leaders, with public welfare officials, and with key people in the food trades to see if we could develop a business-like way of solving this problem in a wholly nonpartisan fashion. The Stamp Plan was the composite result. Some day that same approach, in principle, will be taken to our unemployment problem. I must get back to the job of distributing surplus foods through normal trade channels, however.

Briefly, this is the way the Food Stamp Plan works:

1. Studies indicate that persons getting public assistance spend an average of about \$1 a week per person for food. 2. On a voluntary basis, such persons may buy a minimum of \$1 worth of orange stamps a week for each member of the family.

These are good for any food at any grocery store.

3. Persons buying orange stamps receive half again as many blue stamps free. They receive these in place of the commodities they formerly got at food depots. These blue stamps also are good at any grocery store but only for foods found to be "in surplus" by the Secretary of Agriculture. (Chiefly, dairy and poultry products, meats, fruits, and vegetables.)

4. Grocers paste the stamps, each worth 25 cents, on \$5 cards and redeem them through their banks, their wholesalers, or through us. The Government pays for both colored stamps; the blue stamps are redeemed from the same funds that are now used

to purchase surplus commodities directly.

5. Under the Stamp Plan, therefore, persons receiving public aid can get surplus foods at the corner grocery store. They have 7½ cents to spend for each meal rather than the 5 cents a meal they formerly spent. That improves farm income as well as the public health. The idea is to eat the surplus—that is, the part that can be consumed in this country.

Since the program was put in effect on May 16, 1939, the surplus commodities have been changed from time to time, in accordance with changes in economic conditions and seasonal factors. The first commodities on the list were butter, eggs, wheat and graham flour, corn meal, dried prunes, oranges, grapefruit, and dry beans. On July 16, oranges and grapefruit were dropped and a number of new commodities were added. These included rice, fresh peaches, fresh pears, cabbage, peas, tomatoes, and onions. On October 1, peaches, cabbage, peas, tomatoes, and rice were dropped from the list, and raisins, apples, snap beans (for October), and pork lard were added. On December 15, pork meats, rice, hominy grits, oranges, and grapefruit were added.

The inauguration of the Food Stamp Plan has been announced in about 50 cities and county areas. It is now contemplated that by July 1, 1940, it will be in effect in about 100 cities throughout the United States. Nearly 600 cities have applied for the program. During December approximately 400,000 persons were participating in the program on a voluntary basis. When the programs now announced are in operation, nearly 2 million persons will be participating. By July 1 it is expected that between 3 million and 4 million persons will be taking part in this dual effort to find a wider market for surplus agricultural commodities and to improve the diets of low-income persons in our cities at the same time.

There has been some confusion about how the retailer gets his supplies under the Stamp Plan. Sometimes, it has been assumed that under this program the Federal Surplus Commodities Corporation purchases surplus commodities and sells them to retailers who then supply them to the needy people in exchange for stamps. This is not the case. All the commodities on the list are handled through

regular commercial channels. The retailer makes his purchases in the usual way and so does the wholesaler. After the persons receiving public assistance receive their stamps, they may go to any retail store they wish in order to select the commodities they want in exchange for their stamps. The program does not involve any price fixing or price regulation, nor are special stores designated to receive the stamps. We have relied upon competition to keep the retailers' margins at a minimum. Any retail food establishment may, in accordance with the regulations established by the Secretary of Agriculture, accept the food stamps in exchange for the designated commodities.

There is another misconception that the Stamp Plan is a substitute for local relief. I want to make it plain that none of our activities is intended to supersede present relief assistance. On the contrary, the distribution of surplus foods by the Federal Government is designed to supplement local relief and other forms of public assistance. Every effort is made to prevent any substitution of our funds for other relief funds. Local units of government requesting the Stamp Plan are required to sign a contract by which they agree not to reduce relief grants on account of the Stamp Program. This is an important requirement. If substitution of funds were permitted, the purchasing power made available through the Stamp Plan would not be additional purchasing power. That net increase in purchasing power is needed if farmers are to enjoy a broader market and if under-privileged families are to get better balanced diets.

Results of Stamp Plan Operation

Fundamentally, we are concerned with the contribution that this program can make to higher farm income and improved nutrition among our low-income families. We are, therefore, conducting continuous studies of the economic and marketing aspects of the Food Stamp Plan in addition to some work on its nutritional aspects. These are extremely important. In a number of key cities throughout the country, our Economic Analysis Section is following in considerable detail changes in food sales, prices, total sales of surplus commodities, and the sales through the use of blue stamps. Additional supplementary information is obtained on the nature and extent of the voluntary participation in the program, as well as general economic and marketing background data. All of these are designed to give us a clear understanding of what is happening and to guide our future activities in this newest approach to widening the home market for surplus agricultural commodities.

We are watching the selection that low-income families are making of commodities placed on the surplus list. This gives all of us a much better understanding of what low-income people will buy if they are given an opportunity. At the same time, it provides a basis for calculating the extent of the contribution that this program may make

to the economic welfare of growers of particular commodities. A very important consideration is the measurement of the net increase in the domestic demand that may result from these efforts. Finally, we are trying to obtain a sufficiently wide body of experience so that the people, the Congress, and the Department can determine the relation of this work to our other farm programs. Obviously, the Nation wants to work toward an integrated approach to the whole farm

Although the Stamp Plan has not been in operation long enough to measure the ultimate economic effects accurately or to come to final conclusions, we have been maintaining current information to guide us in our operations. This has been made possible through the cooperation of wholesale and retail merchants in a number of cities. These business men have devoted considerable time to giving us accurate reports. The stores have been selected on a basis which would assure a representative sample of low-, upper-, and intermediate-income areas in each city. The cooperation that these merchants have shown is extremely helpful. I should like to take this occasion to thank them. It is very important to all of us that they continue to give us the basic information that we need. They are making a real contribution to the general welfare which is deeply appreciated.

What are our low-income consumers buying with their surplus stamps? Preliminary figures now available are of great interest to every farmer in America. First of all, we can see how persons getting public aid are using their blue stamps on a wholly voluntary basis. We can tell which agricultural products are most popular, and what percentage of the blue surplus stamps is going for each one on the list. The next table brings this out in great detail for three periods when different surplus commodities were available. I am sure that the hog producers will be glad to learn that 31 percent of the blue stamps were used for pork meats and lard during the last month for which our records are available. Heavy blue stamp purchases of butter and eggs have been made throughout the program. Table A (p. 14) gives the latest current information on how the blue stamp expenditures have been divided as between the various surplus commodities which were available.

With changes in the list on December 16, there were indications of some marked changes in blue stamp purchases. The period is too short, however, for any final conclusion and should be interpreted in terms of possible tendencies rather than of stable averages. Pork meats were placed on the list for the first time. They were very popular. From 20 to 25 percent of the increased purchasing power was used to buy these products. Another 6 percent was used for pork lard. The demand for butter and eggs decreased somewhat, though each accounted for 17 percent of the surplus buying.

Table A.—Percentage Distribution of Commodities Secured With Blue Stamps in 6 Areas, July 16, 1939, Through Jan. 13, 1940 [Percentages smoothed to closest whole percent—in some cases additions of individual items differ from group totals]

SOURCE OF DATA: Economic Analysis Section, Federal Surplus Commodities Corporation, U. S. Department of Agriculture, Feb. 1, 1940. 1 Snap beans were on the list only during October. In that period they received about 2 percent of the additional purchasing power.

Were the Stamp Plan operating nationally, this would be a very healthy situation from an agricultural viewpoint. Prior to the addition of pork meats to the surplus list on December 15, butter and eggs were taking about 25 percent each of the blue stamp purchasing This meant that there was a potential new market each year under a national food stamp plan for over 300 million pounds of butter and over 300 million dozen eggs. That was about 12 percent to 13 percent more of each of these products than the country consumed annually during the previous 10-year period. Had it been possible to establish the Stamp Plan throughout the country overnight, prices of butter and eggs would have shot through the ceiling under such an increased demand. A more healthy price situation would obtain, of course, if the new demand for butter and eggs represented only 4 percent or 5 percent of former domestic consumption. The balance of the blue stamp purchasing power would then be available to help lift other farm prices. We are very glad, therefore, to see this shift to the purchase of surplus pork products. If the Stamp Program were operating on a national basis today, farmers in the Corn Belt would be getting a much better price for their hogs than they are. Fortunately, we'll have a chance to learn a lot more about supply-anddemand conditions for these surplus products before it will be possible to expand this program to cover the country.

We are vitally interested in the net increases in sales of agricultural commodities that result from our Food Stamp Program, and are conducting studies in several cities. Here the analysis is much more difficult. It involves consideration of seasonal and other trend factors. Studies of this subject are under way, but only preliminary data are available. We have some information as a result of the

figures supplied by Des Moines, Iowa, stores, however.

Food Purchases in Des Moines

The Stamp Plan began in Des Moines on August 23, 1939. In the 12 weeks which followed there was a business pick-up in the food trades amounting to 5 percent as compared with sales in the 6-week period before the program started. Sales in stores in low-income areas of the city, however, where most of the surplus blue stamps are used, increased by 16 percent the first 12 weeks of the program. Even after allowance is made for general business improvement in the food industry of 5 percent, such stores had a net increase in business of 11 One of the very striking facts is that about one-half of this net increase apparently was due to the amount of stamps received and another half was due to other factors. We hope that this means that many low-income families, other than the ones receiving direct assistance through the Stamp Plan, were spending more for agricultural products. Our preliminary information indicates that this was true for some commodities. The aggressive merchandising methods of the food trades are certainly responsible for part of this very favorable showing.

In terms of individual commodities, the preliminary information is very impressive. The most substantial increases in sales are for butter, eggs, and most of the fruits and vegetables. Butter sales in terms of pounds of butter in low-income area stores increased about 41 percent above the pre-program level. In upper- and intermediate-

income area stores, they increased 8 percent. Allowing for seasonal and trend factors, our preliminary information indicates that total butter sales in low-income area stores increased not only by the full amount of the blue stamp expenditure, but by 28 percent more. In other words, for every Government dollar spent to move butter under the Stamp Plan through such stores, \$1.28 worth of butter was actually sold. Because the prices of so many dairy products are geared to the price of butter, this means a lot to dairy farmers in this section of the country.

Egg sales increased 52 percent in low-income area stores, while in upper- and intermediate-income area stores there was a slight decrease. Here too, and to even a higher degree, even after blue stamps are excluded, low-income area store sales increased very substantially above the pre-program level, and above the relatively stable level for upper- and intermediate-income areas. For every Government dollar spent to move eggs under the Stamp Plan through low-income area stores, \$1.40 worth of eggs was actually sold. Were the Stamp Plan going nationally, we feel sure we could maintain a much better price

level for eggs.

For some products, of course, all of the sales increase was not a net increase in demand associated with the Stamp Plan. For instance, a very substantial part of the increase in demand for prunes, white flour, corn meal, rice, and peaches was seasonal. In the case of some of these commodities, our information indicates that part of the blue stamps was being used in the place of cash which would have been used in the absence of a stamp program. This was true in the case of prunes, corn meal, and rice, and to a lesser extent in the case of white flour. Very substantial net increases in sales, over and above the volume of blue stamps, and after considering seasonal factors, were noted for peaches, cabbage, peas, onions, tomatoes, and pears. For other commodities, it is still too early to come to even preliminary conclusions. The material is being studied carefully and we hope to present the information from time to time as it becomes available. far as Des Moines is concerned, however, we feel certain that more than a dollar's worth of food was moved for every Government dollar spent to redeem blue stamps. That's one great advantage of utilizing normal trade channels.

One last word about the Stamp Plan. We look upon it as a necessary stop-gap measure during this difficult period when we are trying to find ways to put idle capital to work so that idle men can get jobs. From my own point of view, there are only three figures which I hope will stick in your minds as a result of this discussion. The man getting public assistance has to live on about 5 cents a meal. If he's lucky enough to live in a town where the Stamp Plan is operating, he lives on 7½ cents a meal. When it's possible for him to get off relief and get a job at good wages he spends about 12 cents a meal. Every time an unemployed man gets a job, therefore, every farmer in America ought to yell Hallelujah! That's the real answer to many of his surplus problems.

I have devoted a good deal of time to the Food Stamp Plan as a method of disposing of some of our agricultural surpluses, largely because of the popular interest in this new program. Recently, the Secretary of Agriculture announced a cotton stamp program. It is similar in principle to the Food Stamp Plan. We are going to try it out on an experimental basis in a few selected cities to test its possible

value in actual practice. Until we have had an experience record we would rather not make any predictions about it. Within less than a week from the time it was announced, however, some 20 cities applied for its adoption in their communities. We received over 50 letters from one city alone. A table showing the under-consumption of cotton goods by low-income groups appears in the appendix.

Other Programs for Dealing with Surpluses

There are many other programs in the Department of Agriculture for dealing with surplus problems. This fiscal year, for example, the Federal Surplus Commodities Corporation will spend around 80 million dollars buying agricultural surpluses directly at the points of over-production. These foods are being shipped in carlots to the public welfare departments of every State in the Union. They, in turn, distribute them through commodity depots largely to families certified as eligible to receive them. This distribution to individual families is stopped in areas where the Food Stamp Plan is in operation. Direct distribution usually is continued, however, even in Stamp Plan cities, to certain charitable institutions and to schools partici-

pating in our school lunch program.

We look upon this latter activity as one of our most important jobs, and we hope it will be possible for us to expand the program considerably. Nearly 2 million under-nourished children are now getting their noonday lunches, in whole or in part, from vitamin-rich surplus foods which the Congress has authorized us to buy and distribute for this purpose. Aside from the obvious social benefits of such an activity, it fits in perfectly with certain difficult surplus problems faced by some of our farmers. There are crops that move to market so rapidly that the Stamp Plan cannot be counted upon to soak up the surplus. Cling peaches, which are canned and used in our school lunch program, are a good example. Quick and direct purchases often must be made to maintain farm income; surely, no better use can be made of foods bought under these conditions than to make them available to growing youngsters who happen to have been born into our less fortunate families.

We are spending some of the money available to us to develop new industrial uses for our surplus farm products. Here, we take a laboratory approach to our job. If we try twenty experiments, and only one succeeds, we still feel that we have done a good job. Our plan is to work very closely with the four regional laboratories which have just been set up to do research in this field. We know how important this work is for the long pull, but we also know how little it can offer the farmer this year or next by way of improved outlets for his price-depressing surpluses. A decade or two from now, however, it can be

very important indeed.

Part of our money has been spent to divert agricultural surpluses to domestic outlets which would have been impossible without a Government subsidy. The diversion of surplus edible peanuts to oil is a good case in point. Under this program, the peanut farmers of the country have made several dollars by way of improved income for their entire crop for every Government dollar spent for surplus diversion payments. About a fifth of our money this fiscal year has been used to subsidize the exports of cotton and cotton goods. These

exports will run about double what they did last cotton year, however, largely as a result of this activity. A similar but much less costly effort to help the American farmer hold his fair share of the world market has been made through our export subsidy payments in connection with wheat and flour. Under our marketing agreement programs, farmers are able to control the grade and size of fruits and vegetables moving to market. Where they care to do so, they can regularize the volume of such shipments, in addition, through the use of weekly prorate orders. All of these regulations must be

approved by the Secretary of Agriculture.

Under our marketing agreement and order programs for milk, prices received by farmers from handlers and processors are set after public hearings. All orders now being issued include a special price for fluid milk to be delivered to families getting public aid. This is somewhat lower than the customary class I price, but higher than the price the farmer receives for milk which goes into manufactured products. Through cooperation with local welfare agencies, and by virtue of a small subsidy from our funds, this makes it possible, in the City of Boston, for example, for families receiving general relief to get milk at 5 cents a quart and for WPA families to get it at 7 cents a quart. Milk handlers and processors file competitive bids for this business. We feel that a program along these general lines has proved itself in practice, and that it should be gradually expanded. There is a shocking underconsumption of fluid milk by our low-income families.

So much for surplus removal programs in our own shop. Elsewhere in the Department of Agriculture we are dealing with these problems through our agricultural and soil conservation programs, through our crop-insurance work, and through the lending activities of the Commodity Credit Corporation. Our ever-normal granary program is the answer of human ingenuity to the unpredictable changes of the weather. In years of abundance, farmers can get loans on their crops which can be carried into years of possible scarcity. The farmers stand to benefit if prices rise, and also the presence of such a supply protects our city working people from any runaway prices in years of flood or drought. Of all the contributions which Secretary Wallace has made to American agriculture, historians are likely to put his ever-normal granary program at the top of the list.

Look at Home Needs Through Microscope

We probably shall hear more and more, during the next few years, about solving our surplus agricultural problems by feeding and clothing the destitute peoples of other continents, particularly those ravaged by war. I hesitate to mention that charity should begin at home, because I agree that it should not end there. The present situation in Finland, for example, has pulled at our national heart strings. I should like to suggest, however, that before we look at this problem of human hunger through a telescope, that we look at it through a microscope right here in our own country, and remember

the millions of youngsters we are pumping into our own society every year on 5 cents a meal. Innocent victims of malnutrition make

mighty poor citizens.

This is where industrial democracy is going to make its last stand. We dare not lose our fight—not with our heritage! We won't, if we tackle the problems of unemployment and under-consumption vigorously—as vigorously as the pioneers set out to conquer the West—as vigorously as our fathers set out to build a machine age to free men from inhuman drudgery. We stand between them and our children. We've got to build bridges between the old days and the new. We've got to make it possible for these youngsters to work for tickets of access to what we've got all around us. They won't wait forever.

Must Solve Unemployment and Under-Consumption Problems

There isn't any single answer to this goal of full employment. No single genius is going to arise and light one torch in the darkness. We've got to move forward on many fronts, and the job has got to be done by thousands of ordinary people like ourselves who believe in tomorrow and are willing to fight for their convictions today. the last analysis, of course, the national problem is an individual problem. Therein lies the real value of a meeting like this, and I

should like to pay tribute to the men who made it possible.

We come here as individuals, each with his own particular job to We go back home, each to his same particular job. matters is whether or not we go back as individuals with a new vision. If we don't, we're sunk. If we do, anything is possible. If we go back thoroughly convinced that we can lick this modern headache of under-consumption then each of us will start a bonfire in his own world and in his own unique way. That sort of enthusaism is contagious. Others will light their fagots at our little fires and start their own bonfires. The flames will spread until they become like a crown fire in the forests which will burn away this ugly paradox of want in the midst of abundance.

We'll find ways to make it possible for those who want work to get it—thousands of them, and they'll be worked out by thousands of people. It won't come over night, any more than our machine age came over night—any more than we settled in the West over night. But it will come; it must come—if we keep our eyes on such a goal and keep marching until we reach it. That's the challenge of our genera-We couldn't have been born during more exciting times.

destiny is to make the most of them.

Let's not get the notion that because there are 130 million people in the country that one person can't do very much. We count enormously as individuals, and thank heaven our responsibilities end with our own circles of influence. Not one of us has a bigger job before him than he is able to do. Within those circles of influence, however, we've got to make good. We've got to be worthy of the richest country, in terms of tangible resources, that was ever given to any people. We've got to move forward from this halting place of uncertainty to a new day. As I've said elsewhere, we've got to face the fact that a money-rich, consumption-poor economy cannot survive. It doesn't matter whether we lead a squad or a regiment. It only matters that we know that we don't have to put up with this night-mare of under-consumption in a land of plenty forever, and that we know it with such certainty that it will make us conquerors to the core. No obstacle on earth can stand against such singleness of purpose. The day we wake up to the fact that the problems of unemployment and under-consumption are not going to solve themselves, we'll have gone better than half the way toward solving them. Out of such leadership, springing up in thousands of places, will be built the America of Tomorrow. Personally, I have faith that we'll measure up to the tradition of business-like action which has made for progress throughout our history.

The 65 percent of our families living on an average of \$69 a month need twice that much income for a minimum standard of living. The unsatisfied wants of two-thirds of our people make up the greatest new market that has ever loomed before our business men and our farmers. It's right in our own back yard. We've got to use some imagination and find ways to build a more industrious, and

therefore a more prosperous America.

APPENDIX

Table I.—1935-36 food bill, by income groups, in the United States

Income group	Families		Expend- iture for	Yearly food ex-	Expenditure for food per person	
meome group	Number	Pereent of t otal	food for year	penditure per family	Annual	Weekly
	1	2	3	4	5	6
Under \$500	Thou- sands 4, 178 8, 076 6, 748 4, 241 3, 779 1, 584	Percent 14.2 27.5 23.0 14.4 12.9 5.4 2.6	Million dollars 848 2,806 3,078 2,293 2,429 1,254	Dollars 203 347 456 541 643 792 1, 266	Dollars 57. 02 84. 22 113. 15 138. 72 164. 87 193. 17	Dollars 1. 10 1. 62 2. 18 2. 67 3. 17 3. 71
\$5,000 and over Total and average	29, 400	100.0	1,005	466	316. 50	2.30

Source of Data: National Resources Committee, Consumer Expenditure in the United States, U. S. Government Printing Office, Washington, D. C., 1939, p. 86.

Table II.—Relation between income and consumer purchases, in pounds, of fruits vegetables, meats, dairy products, and eggs—Nonfarm, nonrelief families

[Purchases by \$1,000-\$1,500 income group=100]

Income group	Fruits	Meats	Dairy products	Eggs	Vegeta- bles	Wheat products
	1	2	3	4	5	6
Under \$500	38.3	55. 6	42.9	57.3	58.4	94.0
\$500-\$999	72.7	83. 5	81.3	87.5	89.1	101.0
\$1,000-\$1,499	100.0	100.0	100.0	100.0	100.0	100.0
\$1,500-\$1,999	120.9	111.7	113.0	106. 2	107.4	99.0
\$2,000-\$2,999	145.8	125.4	123. 3	112.5	114.1	97. 0
\$3,000-\$4,999	183.0	148.7	140. 4	118.7	122.4	96.0
\$5,000 and over	247.7	187.3	152.0	122.9	131. 1	91.0

Source of Data: Compiled from studies of consumer purehases in 1935-36 by the Bureau of Labor Statistics and the Bureau of Home Economies with the collaboration of the National Resources Committee. Compilation by the Marketing Section, Agricultural Adjustment Administration, Jan. 2, 1940.

Table III.—Relation between income and consumer purchases of certain meats— Nonfarm, nonrelief families, 1935-36

[Quantities purchased by \$1,000-\$1,500 income group=100]

Income group	Total meats	Beef	Veal	Lamb	Pork	Poultry
	1	2	3	4	5	6
Under \$500	Percent 55. 6 83. 5 100. 0 111. 7 125. 4 148. 7 187. 3	Percent 45.7 83.6 100.0 109.6 118.0 128.6 144.0	Percent 48. 7 78. 1 100. 0 117. 3 137. 7 165. 3 199. 7	Percent 12.7 58.6 100.0 137.6 195.8 330.8 575.9	Percent 87. 1 87. 9 100. 0 110. 3 120. 9 133. 9 139. 7	Percent 43. 8 73. 0 100. 0 125. 3 167. 3 261. 5 459. 4

Source of data: Compiled from estimates made in the Division of Marketing and Marketing Agreements from data obtained by the Bureau of Labor Statistics and the Bureau of Home Economics in collaboration with the National Resources Committee.

Table IV.—Relation between income and consumer purchases of dairy products— Nonfarm, nonrelief families, 1935-36

[Quantities purchased by \$1,000-\$1,500 income group=100]

Income group	Bottled milk	Evapo- rated milk	Cream	Ice cream	Butter	Total
	1	2	3	4	5	6
Under \$500_ \$500-\$999_ \$1,000-\$1,499_ \$1,500-\$1,999_ \$2,000-\$2,999_ \$3,000-\$4,999_ \$5,000 and over	Percent 28. 2 78. 6 100. 0 113. 8 120. 8 143. 2 155. 2	Percent 57. 0 103. 1 100. 0 91. 8 79. 6 61. 2 44. 9	Percent 15.3 37.3 100.0 155.9 233.9 376.3 579.7	Percent 19. 2 64. 4 100. 0 127. 8 157. 7 192. 4 212. 3	Percent 46.9 83.5 100.0 111.8 121.3 133.9 141.8	Percent 42. 9 81. 3 100. 0 113. 0 123. 3 140. 4 152. 0

SOURCE OF DATA: Compiled from estimates made in the Division of Marketing and Marketing Agreements from data obtained by the Bureau of Labor Statistics and the Bureau of Home Economics in collaboration with the National Resources Committee.

Table V.—Relation between income and consumer purchases of certain fruits—Nonfarm, nonrelief families, 1935-36

[Quantities purchased by \$1,000-\$1,500 income group=100]

Income group	Total fruits	Total dried	Oranges	Grape- fruit	Apples
	1	2	3	4	5
Under \$500 \$500-\$999 \$1,000-\$1,499 \$1,500-\$1,999 \$2,000-\$2,999 \$3,000-\$4,999 \$5,000 and over	Percent 38.3 72.7 100.0 120.9 145.8 183.0 247.7	Percent 39. 5 81. 7 100. 0 112. 3 122. 3 130. 2 138. 2	Percent 22.7 67.3 100.0 126.2 155.3 197.4 255.7	Percent 15. 9 59. 3 100. 0 135. 6 181. 4 261. 0 339. 0	Percent 21, 5 73, 2 100, 0 119, 5 141, 5 170, 7 214, 1

Source of data: Compiled from estimates made in the Division of Marketing and Marketing Agreements from data obtained by the Bureau of Labor Statistics and the Bureau of Home Economics in collaboration with the National Resources Committee, Jan. 2, 1940.

Table VI.—Relation between income and consumer purchases of certain vegetables— Nonfarm, nonrelief families, 1935–36

[Quantities purchased by \$1,000-\$1,500 income group=100]

Income group	Total vege- tables	Lettuce	Tomatoes	Cabbage	Snap beans	Peas	Onions	White
	1	2	3	4	5	6	7	8
Under \$500 \$500-\$999 \$1,000-\$1,499 \$1,500-\$1,999 \$2,000-\$2,999 \$3,000-\$4,999 \$5,000 and over	Percent 58. 4 89. 1 100. 0 107. 4 114. 1 122. 4 131. 1	Percent 29.0 72.0 100.0 117.1 134.1 153.7 161.6	Percent 33. 2 77. 7 100. 0 114. 0 128. 7 149. 7 168. 8	Percent 103, 3 99, 0 100, 0 102, 9 107, 7 115, 4 125, 0	Percent 69. 2 88. 3 100. 0 107. 6 117. 2 129. 7 147. 6	Percent 53.8 82.5 100.0 113.8 130.2 157.0 186.2	Percent 56. 3 89. 1 100. 0 105. 9 107. 9 105. 1 94. 9	Percent 62. 6 96. 2 100. 0 102. 3 101. 7 99. 1 94. 9

Source of Data: Compiled from estimates made in the Division of Marketing and Marketing Agreements from data obtained by the Bureau of Labor Statistics and the Bureau of Home Economies in collaboration with the National Resources Committee, Jan. 2, 1940.

national agricultural Library
1022459632

Table VII.—Estimated Annual Expenditures for Cotton Goods by Nonrelief Families—1935-36

[Preliminary, subject to revision]

Income class		Clot	House-	m . 1		
	Husband	Wife	Boy 6-11	Girl 6-11	hold goods	Total
Under \$500	Dollars 5. 65 8. 57 10. 84 12. 80 15. 47 20. 19 31. 79	Dollars 3. 50 4. 86 6. 24 7. 45 9. 13 11. 61 17. 29	Dollars 4. 17 5. 96 7. 41 8. 75 10. 50 13. 33 17. 11	Dollars 2. 94 4. 65 6. 56 8. 30 10. 44 13. 59 16. 83	Dollars 1. 64 3. 33 5. 68 7. 08 10. 01 14. 85 28. 94	Dollars 17. 90 27. 37 36. 73 44. 38 55. 55 73. 57 111. 96

Estimates prepared by Marketing Section, U. S. Department of Agriculture, based on survey records obtained in Consumer Purchases Study conducted by Burcau of Labor Statistics and Burcau of Home Economics, in cooperation with the Works Progress Administration, National Resources Committee, and Central Statistical Board.



JUNE 1940

UNITED STATES DEPARTMENT^{CF}OF ORICULTURE FEDERAL SURPLUS COMMODITIES CORPORATION

CAN WE USE OUR COTTON AT HOME?1

These are days the like of which no man has ever seen before. Some of us are frightened and some of us are angered by what is happening abroad. Many of us are bewildered. We know mentally that the days ahead may hurt us badly, but we have not yet felt the blows in full force. Whenever I have a chance to speak to farm folks I like to discuss city problems, and whenever I am speaking to city folks, I welcome the chance to discuss farm problems, particularly those which are increasing as a result of war in the world.

Farmers know that half of the agricultural problem lies in our cities, and they want their customers in the cities to work out their farm problems with them. If only all of us can do our reasoning from the same sets of facts, we shall be able to work out sensible solutions together. The one thing we cannot afford during this period of world crisis is national disunity. As the richest and the most fortunate nation on the face of the earth, we can afford almost

anything else.

We are approaching harvest time for the American farmer. Even if the war abroad lasts for a while, our foreign outlets for farm products probably will be much less than they were last fall. The nations which Germany has conquered cannot buy from us as they did a year ago, and Great Britain herself, engaged as she is in a life and death struggle, must put first things first. Guns and bombs and tanks and airplanes are more important to her than being able to get the prunes and raisins, for example, which are produced here in California in such abundance. There are difficulties ahead even if the war lasts. Should there be an early peace, the problems would become extremely critical overnight. We probably would face the worst crisis in our agricultural history. While only 10 percent of our total business is represented by foreign trade, such an average figure is very deceiving. By way of indicating the internal dislocations which might result from the loss of agricultural exports, I should like you to consider the following figures:

45 percent of the prune crop normally is exported.
 50 percent of the cotton crop normally is exported.

3. 50 percent of our flue-cured tobacco crop normally is exported.

4. 30 percent of the raisin crop normally is exported.

5. 45 percent of our winter pear crop normally is exported.6. 10 percent of our apple crop normally is exported.

7. Prior to the droughts of 1934 and 1936, about 30 percent of our lard went into export. Stocks at present are extremely heavy and threaten to depress the price of cottonseed this fall.

¹ Based on a statement by MILO PERKINS, Director of Marketing, U. S. Department of Agriculture, at Los Angeles, Calif., before a meeting of farmers, consumers, merchants, garment manufacturers, and workers in the textile trade, arranged by the California Farm Bureau Federation, June 28, 1940.

^{242760°--40}

Nor is that all. Somewhat lesser percentages of California barley, of corn, hops, walnuts, pecans, canned goods, and citrus fruits are threatened with the loss of export markets. The loss of these foreign outlets can easily break the price structure on the entire domestic crop in many cases. The loss of export markets for wheat normally would be very serious. Because of drought in the winter-wheat belt this season, bad as that has been for producers in certain sections, the situation is not likely to be quite so critical for this current crop year as would otherwise be the case. For the long pull, however, it's bound to be one of our real agricultural headaches. Our exports of farm products have averaged nearly 800 million dollars annually for the last 10 years. War is now threatening that entire foreign market.

An abrupt termination of the conflict, with a consequent lessening of industrial activity in this country might result in serious surplus situations in connection with crops produced primarily for domestic consumption, because of curtailed buying power in our cities. It is impossible now to estimate the difficulties, crop by crop, which such a situation would present, but the price structure might be threatened for dairy products, poultry products, meats, fruits, and vegetables. Domestic as well as foreign outlets for several hundred millions of dollars worth of farm products, conceivably may be lost during the coming year. Present appropriations for surplus removal are inadequate, of course, to meet such a crisis. In the past, farmers have been hurt more by war than any other group. We've got to prepare ourselves to meet the costs of this conflict as a whole people. Perhaps we must be prepared to meet it as a whole hemisphere. Some very interesting proposals in that direction are now being seriously explored. If a huge cartel should be set up to handle all export surpluses of this hemisphere, it would prevent the totalitarian nations from playing one country or one business firm against another. Any surpluses which could not be moved into foreign trade might be distributed internally in both North and South America, thereby raising the living standards of the whole hemisphere.

I am glad today that we are discussing cotton in general and the cotton-stamp plan in particular. Everyone is agreed that the loss of any substantial part of our export market for cotton would cause worse internal dislocations than would be the case with other crops. It is well to keep certain general over-all facts in mind when we think about cotton as it applies to our rural economy from Georgia to

California.

It has been estimated that about 14,000,000 persons are dependent directly or indirectly on the production of cotton. If we were to stop producing cotton for a foreign market, the country as a whole would inherit a bigger relief load than that now being carried by W. P. A. The immediate cost of caring for these persons would be far greater than the cost of using the cotton surplus here at home if that were at all possible. We might as well, therefore, set it down as an axiom that cotton production cannot be cut much below 12,000,000 bales in the near future without creating more costly problems than such an acreage reduction would attempt to cure. Certainly this is true for the early part of the forties.

Let's take a quick look at the cotton-surplus problem. In 1933, we set out to reduce our surplus of cotton. By 1936 the 13,000,000 bales on hand in 1932 were reduced by approximately one-half and to almost normal proportions. But something happened in 1936. The original Triple-A program was killed. In 1937 an avalanche of cotton—19,000,000 bales—descended upon us, and, so far as our supply was concerned, it carried us back to 1932. The rest of the world grew

another record crop.

Due to a combination of fortunate circumstances, the repetition of which the cotton farmer is not likely to see for a long time, we have succeeded during the current cotton year in cutting Government loan stocks from 11.4 million bales to about 9 million bales. Still the cotton surplus problem remains extremely serious. Our soil conservation and acreage adjustment programs, therefore, certainly must be continued, even though world conditions may force us to change their emphasis somewhat. The country can't stand another 19 million bale cotton crop. Since cotton farmers get about half the share of the national income which they enjoyed before the first World War, I don't see how the Nation can object to parity payments which bring them only part way toward the purchasing power, in terms of city goods, which they formerly enjoyed. They ought to have their full and just share of the national income, and they would if city folks knew more about their problems.

Obviously, the cotton loan must be continued to support a minimum

Obviously, the cotton loan must be continued to support a minimum price to producers, but it will lead to eventual disaster unless we can move the cotton we produce into consumption both here and abroad. Let's not do any wishful thinking about that, and let's not wait until we've got a 2-year supply of cotton in the loan before we do anything about it. The cotton farmer has too much at stake

for anything like that to happen.

Prior to the first World War cotton farmers got about 3 percent of the national income; recently, even with benefit payments added, they have gotten about half that. The overpopulation in rural areas in the cotton South is more critical than in any other farming section. Our cotton farms have a million more persons on them than was the case before the first World War. Large families on small farms! Hard work on thin land! Small incomes even on the rich lands of the Delta. A shocking lack of cotton goods in homes on the very land where the cotton is produced! That's part of the

Human erosion has tended to out-run soil erosion in some of our Southern States. Some 58 percent of the farmers in the cotton-growing States are tenants. A third of them move every year. Statistics are not dull and uninteresting when we translate them in terms of families who know real poverty as intimately as they know the weary treadmill of the seasons. Today the richest State in the cotton-growing South ranks lower in per capita income than the poorest State outside. Even in 1939 southern farm families received only one-third the average annual income of farmers elsewhere. No wonder they can't buy enough to give the wheels of industry more than a turn or two. No wonder there is unemployment in our cities.

It is really impossible for many of us who are fathers to know what it would be like to bring up families on a cash income of around \$5.00 a week; and yet these southern farm families are the families which are contributing more children to our democracy than any other group in proportion to its size. Innocent victims of malnutrition make mighty poor citizens. Let's not fool ourselves—the problems of the cotton South are the problems of the whole Nation.

Soil erosion on the lands where cotton has been grown for over a century is now a matter of national concern. Cotton has been grown, for the most part, on the poorest land in the Nation. About 61 percent of all the land in the United States that is badly eroded is in the southern Cotton Belt. In these same Southern States 22 millions of acres of formerly fertile soil are ruined beyond immediate repair. An expanse as large as South Carolina has been washed away. Another area the size of Oklahoma and Alabama has been seriously damaged, and the sand and gravel washed off this land has covered another valley the size of the State of Maryland.

Great progress recently has been made, of course, in stopping further erosion. Farm-management plans which call for diversified farming rather than one crop cotton farming have made some headway. The very excellent work of the Farm Security Administration with several hundred thousand cotton farmers is proof of the fact, but they would be the first to admit that it's a long, long road. And yet, I am convinced, it's a road along which the South may be forced to walk by world events over which it had no control. It makes sense, theoretically, to combine three or four small cotton farms into one more diversified production unit, but the difficulty lies in finding a way for the two or three displaced families to make a living not only in terms of available jobs but in terms of their skills. That does not mean that this is not a desirable direction in which to move; quite the contrary. I am only pointing out that it's a job for the long pull, like our efforts to promote new industrial uses for cotton which can stand on their own feet commercially. These may mean a lot several years from now, but they can't make even a dent in the cotton surplus problem this year or next.

Not quite a year ago, we started an export subsidy program on cotton to help the American farmer regain his fair share of the world market. It cost over 40 million dollars, but during the period of its operation our loan stocks have been reduced and our exports have been about double those of the previous cotton year. This increased movement of cotton abroad resulted in a higher domestic price level and therefore added to the purchasing power of cotton farmers. The increase in actual consumption of American cotton abroad, however, apparently will be only about one-sixth of our increase of exports of the raw staple when this cotton year is compared to last. In other words, foreign spinners have largely replenished and built up their

inventories of American cotton.

Export subsidies are very useful expedients under certain conditions, but my own feeling is that they may be less and less effective in the years ahead of us. Certainly, that appears to be the likelihood today. Before we resort to export subsidies in the future, we must be reasonably sure, among other things, that they will really increase exports. In a totalitarian world where goods are bartered and price

is not a determining factor, export subsidies would become old-fashioned and impotent. They wouldn't, except in isolated instances, get the job done. More modern ways of getting rid of surpluses would have to be used. What the South must have is actual results in terms of maintaining total cotton consumption—as much abroad as possible, and as much more at home as is necessary to make up for any loss of foreign markets.

We might well consider the continuation of an export subsidy on cotton textiles sold by American manufacturers within the Western Hemisphere, however. There is much to be said for pushing such a program aggressively. It is one way of expanding our commerce north and south in a world where it is getting harder and harder to hold the trade we have enjoyed for decades along lines that run

east and west.

Were it not for war in the world, we would have reason to hope that we might work out a way to establish a balance between supply and demand so far as our cotton inventories are concerned. We cannot feel that sort of security for cotton, however, in view of the present international situation. Just how much of our export market for cotton we are likely to lose, and for just how many years it is likely to remain lost, is a matter where one man's guess is as good as another's. It is tied up with dozens of complicated problems such as how much we are willing to import from abroad, how far we can get with a cartel to handle all export surpluses of this hemisphere, who wins the war, and the accessibility to dollar exchange on the part of foreign nations. I think we can set it down as a basic principle of national policy, however, that we will retreat from foreign markets, if retreat we must, as stubbornly as possible. The more of our foreign markets we can hold, the less savage will be the adjustments which are required internally. Since we are the only major nation which has the surpluses of both farm and city goods, however, it may become increasingly difficult for us to trade with the rest of the world, particularly after we get all its gold. That certainly will be true if we continue wanting to sell as much as we can abroad and wanting at the same time to import as little as possible. World events easily may shut off a big foreign market for our cotton, whether we like it These are days when we need to think boldly in terms of the worst that might happen. The worst that might happen, so far as cotton is concerned, is to lose our export market entirely. This is unlikely to occur, of course, but let's take stock of what we could do in the event of such a calamity or of a world situation which closely approached it.

This year we shall consume close to 7½ million bales of cotton domestically, and with the increased industrial activity which will result from the rearmament program, I think we can start with the mildly optimistic assumption that we can hope to maintain this level

of cotton consumption for a while.

Now, let's explore how much extra cotton we can consume domestically if world events shatter the economy which we have known since childhood. We are making this forthright sort of appraisal in the Department of Agriculture, crop by crop, so that we will be prepared to meet the blows which may fall upon us at any moment. It means a challenge to our ingenuity and a reorientation of our thinking far greater than anything that was necessary in the early thirties. I

would like to set forth some of the things which would bring our domestic consumption of cotton more nearly in line with the minimum production which seems necessary to prevent an utter collapse of our southern economy, which is now so dependent on cotton. Let's see how much we can increase the present domestic consumption figure of 7½ million bales.

Putting aside any future possibilities which may develop from new-use programs, suppose we set down these figures first and then discuss them. Naturally, I am not suggesting such a program now; rather, I am thinking out loud about a future which may be pretty dark. And I am thinking about the Federal subsidies which might be necessary during a transition period of a few years while we're trying to diversify our southern agriculture and grow less cotton. This represents the maximum goal we can hope to reach, as I see it:

A possible home-consumption program for eotton	
	Bales
1. Present annual rate of domestic consumption	7, 500, 000
2. Mattress program for low-income families making less	
than \$50 a month	600,000
3. Substitution of cotton, industrially, for all jute and bur-	1 000 000
lap now imported	1,000,000
4. Cotton Stamp Program which would raise cotton goods purchasing power of all families making less than \$200	
a month to that level	2, 000, 000
a month to that level	2, 000, 000
Total	11, 100, 000

It is not impossible, therefore, to consume around 11 million bales of cotton annually and to use it in our own country-right in our own back yard. Any such program would mean a tremendous increase in textile activity here at home—an increase amounting to more than a third of the cotton-mill consumption of cotton for this year. Even if our textile mills were on a 24-hour shift, which is undesirable from many points of view, they could not consume more than 9 to 9½ million bales of cotton a year. If world events should force us to a domestic consumption which ran close to 11 million bales annually, we would have to build new cotton mills, buy new machinery, build more garment factories, hire men and women to work in them, and put more clerks to work in our retail and wholesale business firms. Under such conditions, several hundred thousand persons in families now dependent on public aid could be supported by breadwinners at work in private industry. While such a program as this would make a big dent in unemployment, it also would require a big Federal subsidy. Business rather than Government would hire the unemployed, but it would still be done with tax dollars. Let's see how much it would cost on this maximum

basis.	maximum
Fe	Additional annual cost to ederal Treasury
1. Present consumption(bales) 7,500,000	None
2. Mattress programdo 600,000	\$39,000,000
3. Substitution of cotton for jute and burlapdo 1,000,000 4. Cotton-stamp plan on maximum and extreme basis	¹ 5, 000, 000
suggested above(bales) 2, 000, 000	² 600, 000, 000
Total maximum cost	644, 000, 000

¹ Annual loss tariff revenues now collected on burlap. All former buyers of jute and burlap would have to bear the higher cost of cotton fabrics, however.

² Over half of this amount would go to employ persons now out of work.

Now, let's examine these possibilities one by one. This past year we supplied a little over 100,000 bales of cotton with ticking to match for various mattress-making projects throughout the country. could be stepped up to about 600,000 bales a year, and held at that level for a few years. One of the ironies of the rural South lies in the fact that hundreds of thousands of families who produce cotton are without mattresses on which to sleep. More of the money spent on this kind of program gets back to the cotton farmer than under any other approach to increasing domestic consumption. That, plus the fact that these low-income families contribute their own labor to make their own mattresses is the chief advantage of this work. It may be desirable later on to work out some sort of program with mattress manufacturers for very low-income city groups. The disadvantage of counting too much on mattress outlets lies in the fact that after a few years the rate at which cotton could be used for this purpose would be slowed down, whereas purchases of clothing and household necessities are made much more frequently. Merchants in the counties where mattress-making projects have been in operation report a sharp increase in their sales of beds, springs, sheets, pillowcases, comforters, and blankets. That is a corollary advantage which cannot be measured exactly, but we ought not lose sight of it. For a few years at any rate, therefore, this work could raise the domestic consumption of cotton to 8,100,000 bales a year.

I do not want to be misunderstood as having recommended that we bar the importation of jute and burlap. On the contrary, what we are doing here today is to think out loud, and to think boldly about what we might have to do as a result of world events which are not of our own choosing. If there should be an early peace, and if there should be a change in the status of India, which now is the exclusive source of jute for all the world, we might find ourselves wanting, for a variety of reasons, to bar the importation of jute and its products.

This would not cost the Federal Treasury a dime, except for the tariff revenues now received on some of the jute products coming into the country. It would, however, like all less drastic tariff measures, amount to an internal tax which would have to be borne by the population generally, including the cotton farmer. He would have to pay 25 to 30 cents a pattern more for cotton bagging which would replace the cheaper covering now made of jute. The flour millers would be obliged to buy cotton bags exclusively for their bran and shorts. Rice, cottonseed meal and cake, and dozens of other processed commodities would have to be sacked in cotton bags rather than in burlap. Automobile manufacturers and furniture factories would have to use cotton cloth in place of burlap. Farmers growing potatoes and rice and some of the small grains, to mention just a few commodities, would have to sack their products in cotton bags which are more expensive than those made of burlap. The higher resale value of cotton bags would not offset the cost. The difference per unit would be only a few cents, but the total extra cost for a year would run into tens of millions of dollars, even though that cost would not be borne by the Federal Treasury.

This is one of those things to which the Nation would not resort except in time of critical international crisis. So far as the cotton

South is concerned, however, and I want to repeat that its problems are of such magnitude that they concern the whole Nation, it would mean a new outlet for over a million bales of cotton a year. That cotton would have to be woven into cloth, and its weaving would reemploy tens of thousands of persons who are now out of work both in the South and in New England. When men get off relief rolls and get jobs in private industry they buy more food, and they buy more cotton clothing, and this broader market for farm products increases farm income. Any increase in farm income is reflected several times over in increased national income. This brings us to a possible 9,100,000-bale annual consumption of cotton domestically. In February, when the cotton-stamp plan was announced Secretary

Wallace said:

In the long run, the present war is very likely to harm cotton farmers to a greater degree than they were harmed by the last World War. Our export markets may be sharply curtailed if war continues. The situation is likely to be even worse when the war is over. It seems to me, therefore, that it is very desirable to get an experience record with the cotton-stamp plan to determine in practice whether it will provide a practical means of effecting increased domestic consumption. There may come a time when it will be necessary to engage in a program of this kind on a national basis.

Obviously, the Secretary has been concerned for some time about what we might have to do in the future to cushion the shock of losing any substantial part of our export market for cotton. The cottonstamp plan at the moment is set up on a very much more conservative basis than the maximum figure which I have given you. This is true both with regard to the income groups we are now reaching and the amount of cotton goods being given free. This is appropriate in an experimental program, and nothing short of world tragedy is likely to force the American people to provide cotton goods on any such basis as that suggested. It would mean an almost explosive change in our present conceptions of Federal responsibility. For my own part, I shudder somewhat at the administrative problems connected with a program of this magnitude, to say nothing of its cost. I feel sure that we can stop far short of it and keep our cotton-stamp program on a much more modest basis. If it became utterly necessary, however, it would be much cheaper to use the surplus in this manner than it would be to make drastic cuts in cotton acreage with all the relief costs which would follow in the wake of such an action. It is apparently not impossible, therefore, to consume 11,100,000 bales of cotton a year here at home.

Our cotton-stamp plan is designed to make it possible for low-income persons to use the cotton surplus—chiefly by wearing it. Families of four making less than \$500 a year spend approximately \$17.90 annually for clothing and household goods made of cotton. On the other hand, families making \$5,000 a year and over spend \$111.96 annually for these same commodities. There is a tremendous untapped market for cotton goods here at home among the bottom two-thirds of our population which has to get along on an average cash income of \$69 a month for a whole family. The following table brings out these consumption figures by income groups in greater

detail:

Estimated annual expenditures for cotton goods by nonrelief families, 1935-36
[Preliminary, subject to revision]

Income class		Clot	House-			
	Husband	Wife	Boy, 6 to 11	Girl, 6 to 11	hold goods	Total
Under \$500 \$500 to \$1,000 \$1,000 to \$1,500 \$1,500 to \$2,000 \$2,000 to \$3,000 \$3,000 to \$5,000 \$5,000 and over	\$5. 65 \$8. 57 10. 84 12. 80 15. 47 20. 19 31. 79	\$3. 50 4. 86 6. 24 7. 45 9. 13 11. 61 17. 29	\$4. 17 5. 96 7. 41 8. 75 10. 50 13. 33 17. 11	\$2. 94 4. 65 6. 56 8. 30 10. 44 13. 59 16. 83	\$1, 64 3, 33 5, 68 7, 08 10, 01 14, 85 28, 94	\$17. 90 27. 37 36. 73 44. 38 55. 55 73. 57 111. 96

Estimates prepared by Marketing Section, U. S. Department of Agriculture, based on survey records obtained in Consumer Purchases Study conducted by Bureau of Labor Statistics and Bureau of Home Economics, in cooperation with the Works Progress Administration, National Resources Committee, and Central Statistical Board.

If world conditions over which we have no control should ever force any such total cotton program as this upon us as the fastest and cheapest way out for a few years, we ought to be honest with ourselves about taxes from the very beginning. We would have to pay for it and we ought to pay as we go as completely as we can. That would mean an entirely different attitude toward taxes than you and I have known since we were youngsters. It would mean making up our minds more strongly than ever that economic democracy is worth fighting for, and its preservation is worth paying for. The riches produced by a nation at work, of course, would help to off-set the cost. Government can't get blood out of a turnip any more than business can. It can't collect taxes from the unemployed any more than it can from businessmen whose plants are running half time. It can and must collect adequate taxes from all of us who are working full time in proportion to our ability to pay. Everyone knows that the most effective way to increase tax revenues is to wipe out unemployment.

We have lost 100,000,000 years of man-work in this country in the last 10 years. That has meant lower living standards for all of us, to say nothing of broken morale. One of the worst national costs of this unemployment probably won't show up before the armament program gets under way. I have in mind the lack of skills on the part of those who have had no chance to engage in useful occupations. We can't cure this situation overnight but cure it we must, and as fast as we can. Any national goal short of full employment for every able-bodied man in America is dangerous to us as a nation. Our very security as a people depends upon available work for every-body; it depends upon using and not wasting our surplus manpower. The dictators learned that lesson—long ago—and all too well. Our manpower is our greatest national asset, and we've got to utilize it

to the fullest. Full employment costs less than idleness.

We are faced with what might be called a mixed economy. That is, there are no longer any single panaceas for our problems. Things won't work automatically any more. We can make a flourishing thing of industrial capitalism in this country during the next century but it will take the united determination of our whole people. It will

take courage because we shall have to toss overboard some of the cherished economic notions which worked in the nineteenth century but which won't work in the middle of the twentieth century. Important as it may become, the cotton-stamp plan is only one small sector of the whole front. If ever it becomes necessary to broaden and expand this work to cover the Nation, retail merchants have got to win their battles on their part of the front. A gap in the business lines at any point might cost us the war we are fighting to make economic democracy work in this hemisphere. Let's examine

this cotton-stamp plan in more detail.

Starting only a month and a half ago, on May 7, we began the experiment in Memphis, Tenn. Reports from there have been most encouraging. On June 3, it was begun in Springfield, Mass., and recently it was announced for St. Paul and Minneapolis, Minn. We hope it can be put into effect soon in Los Angeles County. This is the newest cooperative effort to meet a truly national problem—the cotton problem. As I have indicated, the Department has approached it from many points of view. The cotton-stamp plan is just one of these. It has a very special significance, however, for it is the first program to enlist the active cooperation and support of the retail and wholesale trades as well as that of the textile and garment manufacturers. In fact, in handling this phase of the program through the normal channels of trade, we have placed a very high degree of responsibility on the trade groups. Their initiative and support will determine the effectiveness of this approach to widening the domestic market for cotton and cotton products.

The mechanics of the plan are very simple. Here is how it works:

1. The cotton-stamp plan, like the food-stamp program, provides for the movement of surplus cotton goods entirely through the normal channels of trade. The Government will give eligible needy families new buying power in the form of special cotton order stamps, and these families will then use the stamps to secure cotton goods at retail stores.

2. Participation by needy persons is voluntary. The State and local agencies handling public assistance certify those who are eligible

to participate.

3. In order to assure regular cotton expenditures by needy families, those wishing to participate are given an opportunity to buy cotton stamps in an amount approximately equal to their present cotton expenditures and available resources. For each dollar expenditure they receive another \$1 worth of free surplus stamps. The stamps purchased by the eligible families are colored green, and those given free are colored brown. Both colored stamps have a value of 25 cents each.

4. Minimum and maximum expenditures to be made at 3-month

intervals are as follows:

(a) One- and two-person families can purchase, as a minimum, for each 3-month period, a \$4 book of stamps for which they pay \$2 or,

as a maximum, a \$6 book of stamps for which they pay \$3.

(b) Three- and four-person families purchase, as a minimum for each 3-month period, a \$6 book of stamps for which they pay \$3 or, as a maximum, a \$10 book of stamps for which they pay \$5.

(c) Five-person and larger families purchase, as a minimum for each 3-month period, an \$8 book of stamps for which they pay \$4, or as a maximum, a \$12 book of stamps for which they pay \$6.

In some areas more money has been spent for cotton goods in the past than our purchase requirements would indicate. Wherever that

is true, the purchase requirements are increased accordingly.

5. Both stamps are used by the needy families securing them to buy new cotton goods sold in retail dry goods stores for human or household use, which are made entirely from cotton produced and manufactured in this country.

6. Merchants who receive these stamps paste them on cards provided, certify that they have been received in accordance with the regulations, and then present them for payment either to the local office of the Federal Surplus Commodities Corporation, to their wholesalers in payment of bills, or to their banks for collections.

This program was the result of many discussions with farm leaders, labor leaders, textile and garment manufacturers, wholesalers, and retailers. The National Retail Dry Goods Association and the Institute of Distribution have pledged and given their assistance. Last December, the Cotton Consumption Council, at a meeting in New Orleans, adopted the following resolution:

(a) That the Federal Surplus Commodities Corporation be asked to give due consideration to the possibility of initiating, in certain carefully selected municipalities, a Federal cotton-stamp plan (similar to the Federal food-stamp plan now in operation) that will be thoroughly acceptable to the cotton vending retailers, of all types, of the selected municipalities and which will be intended to stimulate the cotton-purchasing power of the families of these municipalities that are receiving public assistance.

(b) That as, if, and when such a cotton-stamp plan may be provided by the Federal Surplus Commodities Corporation, resultant cotton stamps shall be used in any retail establishment of the municipalities in which the program may be instituted to buy any goods manufactured from cotton, provided such goods are made wholly of cotton, produced in the United States, and manu-

factured in this country. * * *

The Cotton Consumption Council is made up of representatives of the Association of Southern Commissioners of Agriculture, cotton growers, cotton manufacturers, and the principal organized retail distribution groups. Representatives of the following organizations attended the New Orleans meeting:

American Cotton Cooperative Association. The Cotton Textile Institute. Durene Association of America. Independent Food Distributors Council.

Institute of Distribution.

Thethat Deita Variate Ch

Limited Price Variety Stores.

National Association of Chain Drug Stores.

National Association of Food Chains.

National Cotton Council.

National Council of Shoe Retailers.

National Retail Dry Goods Association.

National Retailer-Owned Grocers. Wholesale Dry Goods Institute.

The Institute of Distribution, including major cotton-selling chain stores representatives, endorsed the cotton stamp plan at a recent meeting in New York City. The resolutions of the institute concluded as follows:

Be it therefore hereby resolved, That the cotton-selling chain-store companies composing the Institute of Distribution, Inc., a group represented at the January 30, 1940, meeting go on record as favoring the undertaking by the Federal Surplus Commodities Corporation of a cotton-stamp plan, in a few trial municipalities thereby increasing the ability of publicly assisted families to purchase goods made in the United States wholly of cotton produced in this country. This experimental approach is favored in order to determine the practicability of the plant; be it further

Resolved, That companies composing this group pledge themselves to cooperate in this Federal cotton-stamp plan to the fullest possible extent as, if and when undertaken in any municipality in which their stores are located.

As the Secretary of Agriculture pointed out:

The many practical and constructive suggestions of farm groups, as well as trade groups, and their pledge of wholehearted cooperation have been most helpful and encouraging to all of us in government. It is only through this kind of united effort that we can hope to solve our economic problems.

If the textile and garment manufacturers or the retail stores look upon the cotton-stamp plan only as a way of getting a volume of business through free stamps which they otherwise would not enjoy, then the program is certain to be a failure. We are counting upon them, however, to provide the most attractive and the most inexpensive articles made from cotton which their ingenuity can devise. We believe in the genius of American businessmen, but we know that this genius operates most effectively where the volume of business is adequate. Our cotton stamps provide an extra volume of business

and the rest of the job is squarely up to industry itself.

Retail merchants are on the front line and we are counting upon them to push the sale of cotton goods not only to those who will be using the stamps, but to every family in town. The food trades have moved more than a dollar's worth of surpluses for every Government dollar spent to redeem the free food stamps. That is one of the outstanding successes of the food-stamp plan. If the dry-goods merchants can successfully push the sale of cotton goods to families who are not getting public assistance, then the cotton-stamp plan can become one of the major ways to expand domestic consumption. will be another proof of the new era we are entering; it is an era of business and Government cooperation in the interest of the general welfare.

We hope to move forward gradually with the expansion of this program as we did in the case of the food-stamp program, not only so that we may have time to measure its economic significance, but also that we may have time to iron out small mechanical difficulties which are bound to arise. The cotton-stamp program can be set up in towns where the food-stamp plan is running at very little additional administrative cost and for that reason we are going to confine it to such areas. Nearly every area in which the food-stamp plan is

operating has asked for the cotton-stamp plan.

Early in June the food trades in Los Angeles put on a gigantic drive to move farm surpluses to every family in Los Angeles County. We think they did a splendid job and that experience there will be made available to merchants in every other stamp town in the country. We in Government realize that aggressive merchandising is an art in itself and that business folks have forgotten more about it than we will ever learn. I want to throw down a challenge to dry-goods merchants, however, and to ask them to redouble their efforts to move

more cotton goods to every family in the country. Cotton farmers need that help now more than ever before.

That is our real reason for going through the normal channels of trade. We are not going to interfere with gross retail mark-ups. In the first place, such a goal would be administratively impractical and, in the second place, we know that businessmen have enough sense to realize that the way to make money is to cut the gross mark-up to the bone and count upon volume for net profits. The further they can go in that direction, the more they can help the cotton farmer. Competition, where it's keen, forces such a policy anyway. We are doing our part to help by putting out an additional amount of purchasing power in the form of cotton stamps which should make it easier to do a more effective merchandising job than would be possible in the absence of such a program.

The eyes of the country will be upon these early cotton-stamp towns for months to come. While we are launching this program now upon an experimental basis, we have an obvious faith in what businessmen can do or we would not be launching it at all. If it doesn't work, we will have to discard it and try some other approach. If it does work, and I believe it will, we may have a mechanism of tre-mendous national importance at this time of international crisis. I know of no other program which requires the cooperation of so many parts of our whole economy. That is what I like best about it. If all

of us pull together in America we can do anything.

Somewhere around 15 cents of the consumer's dollar spent for cotton goods at retail under the cotton-stamp plan gets back to the cotton farmer directly. Most of the remaining 85 cents goes to employ labor directly and indirectly in our transportation systems, in our cotton mills, in our garment factories, and in our wholesale and retail stores throughout the country. That has always been inherent in the process of distributing cotton goods. This reemployment aspect of a cottonstamp plan is one of its very great advantages, however, particularly since it is a rather ingenius way of letting industry itself hire the unemployed all along the line. The program benefits not only farmers, but labor, business, and low-income families as well. If ever the nation decides to expand the cotton-stamp plan to cover the country, therefore, consideration should be given to charging part of its cost to the broader cost of reaching full employment.

I hope that world events will not force us into a national cotton program of the extreme magnitude suggested, nor of one even approaching it. I hope that there will be more of brotherhood than of bitterness at the peace conference, and that world trade will be expanded rather than restricted after this war is over. I hope that every able-bodied man in America can get work in private industry and that our stamp plans can be contracted to business-like ways of caring only for unemployables. All of us hope for these things, but we And because we wonder, we've begun to prepare for the worst—just in case. Military preparedness has properly concerned us first. Economic preparedness cannot be a separate thing, however. They are like the two sides of a single coin and we must keep that coin whole and shining on both sides if we are to do business and

hold our own in this topsy-turvy world.

The sweat and the labor of millions across the South produce a textile of value. It will cost us less to use it here at home than it will not to grow it. Cotton is only one of the many farm products which are going to be in trouble as a result of the war, however, and agriculture is only one segment of our whole economy which may have dark and difficult days of readjustment to face. Will we help each other out of the pits into which many of us are likely to be thrown by events abroad? That's the real challenge to our democracy at this time of world crisis, and its survival depends upon ordinary folks like ourselves. It won't be an easy thing to maintain national unity unless we do more than our part as individuals for

the good of the whole.

One farm group after another has come to us during the past month for help on a much bigger scale than was necessary last year. Each, of course, has been directly concerned with its own immediate problems, and it has not always been easy to keep attention focused on the problems of agriculture as a whole, to say nothing of our broader needs as a nation. This is a normal, human reaction to a frightening foreign situation which has grown steadily worse since the Congress passed our appropriation bill. As this is being written, it looks as though we may have about \$30,000,000 more for surplus removal for the coming fiscal year than we had last year. However, the demands upon those funds are very much greater than they were before the critical turn of events abroad. Obviously, we can't do the impossible, but the Congress has shown a very real understanding of the magnitude of surplus problems and we are going to do the best job we can with the funds available to us.

We musn't let any disunity creep into our thinking during this time of transition when we're trying to measure just how vicious a blow the war abroad is likely to deal our various groups of farmers and city folks by harvest time. We're all in one boat and we can't get anywhere trying to grab from each other. The foreign situation may become so critical by fall that we'll have to broaden our present programs for increasing domestic consumption. If that happens, let's meet the situation together as a united people. Let's show the dictators that unity based upon voluntary understanding is a stronger, more lasting thing than singleness of purpose based upon force. That's one of the things our democracy can contribute

to the new age which lies beyond this conflict.

During the decade of the forties there will be hunger and starvation and death from cold winters without fuel in other parts of the world. These physical privations will be added to the heartaches of those who must endure them and live on without the love and companionship of those who were killed in the war. It's horrible beyond

imagining.

We and our families have been spared that suffering. All we've got to do is to change with the necessities of the times, and find workable ways to distribute the goods all around us to those who are willing and able to work for them. There's enough, and more, for everyone here at home. There's plenty, and then some, for us Americans on both continents of this western hemisphere.

The brotherhood of man is real, for all the wars of the moment, and because it is there must be ways to give the peoples of all the earth a readier access to the things which can be produced upon this planet. The real adventurers of the next hundred years will be folks with practical imagination who discover such ways. Only one basic economic problem faces the world, and that is how to use the human and material resources of the entire earth to the utmost. Science already has made it possible to double our standards of living. That's the most important fact in modern history. We no longer have to grab from each other in order to have enough for ourselves! have only to use our common sense, to work together, and be decent to each other.

So far as increased domestic consumption of surplus cotton is concerned, we have barely scratched the surface with our mattress program and our cotton-stamp plan. We've gone somewhat further with the use of surplus foods, but that job is not even half done. year, for example, 3,000,000 school children got their noonday lunches free—made in whole or in part from surplus foods. About 9,000,000 children in our own low-income areas are eligible for free lunches, however. For my own part, I feel that everyone of these undernourished youngsters ought to have a chance to eat the surplus as a matter of national health defense.

By late summer 4,000,000 persons will be taking part in the foodstamp plan, but more than 20,000,000 now living on an average of 5 cents a meal are eligible. They need an extra 2½ cents worth of vitamin-rich, surplus foods a meal for a minimum diet. Many of us spend from two to three times that amount for food. More than a thousand communities have asked for the food-stamp plan, but we can reach only a fraction of that number under our present schedule.

Let's not forget that two-thirds of our people-including over 80,000,000 persons—have to get along on an average cash income of \$69 a month for a whole family. Let's remind ourselves constantly that their unsatisfied wants offer our farmers and businessmen the greatest market that has ever challenged them. If we can't sell our farm surpluses abroad we've got to widen our markets here at home. It makes sense to develop those markets, so as to use the surpluses that nature has given us.

planet. The real adventurers of the next hundred years will be folks with practical imagination who discover such ways. Only one hasic securemic problem faces the world, and that is how to use the barran fand material resources of the entire earth to the atmist. Science attend material resources of the outire earth to the atmist. Science attend in possible to double our standards of living. That's the most important face in modern hierory. We no langer have to grab from each other in order to have enough for ourselves! We have only to use our common sense, to work together, and be decept

South of have barely senatched the surface with our matters program and our cotton-stamp plan. We've gone somewhat further with the use of surplus foods, but that job is not even half done. This gear, for example, 3,000,000 school children got their noonday hardness for events in whole or in part from surplus food. About 9,000,000 children in our own low-income areas are cligible for tree that he chowever. For my own part, I feel that everyone of these made, and the surplus of the first area are cligible for tree that or a

the late summer the charge of the teleing part in the foodstamp plant but mile than 20,000,000 new living on an greenest of seeds a most are sligible. They need no extra 25% cents worth of virunia-rich, surplus foods a meal for a minimum diet. More than a spend from two to three times that amount for food. More than a thousand communities have asked for the food-stamp plant, but we can

Let's not lorget that two-thirds of our people—including over 20,000,000 persons—have to get along on an average cost income of their month for a whole family. Let's remind ourselves constantly their mention that their mentions that their market that has over challenged them. If we can't sail our families alone as to wide our markets here at home. It makes some to develop those markets, so as to use the surpluses that makes some to develop those markets, so as to use the surpluses.

The state of the s

Control of the Contro

The state of the s

and the same of the characteristic and the same of the property of the latest and the same of the same